

OPEN MEETING ITEM

COMMISSIONERS  
DOUG LITTLE - Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN



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AZ CORP COMMISSION  
DOCKET CONTROL

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ARIZONA CORPORATION COMMISSION

DATE: MAY 26, 2016  
DOCKET NOS.: W-20770A-16-0020

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Scott M. Hesla. The recommendation has been filed in the form of an Order on:

HYDRO-RESOURCES, INC.  
(RATES)

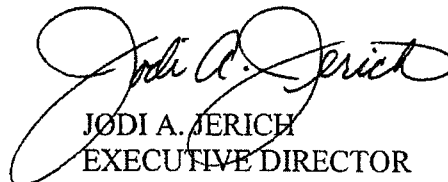
Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

JUNE 7, 2016

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

JUNE 14, 2016 AND JUNE 15, 2016

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

  
JODI A. JERICH  
EXECUTIVE DIRECTOR

Arizona Corporation Commission

DOCKETED

MAY 26 2016

DOCKETED BY



1200 WEST WASHINGTON STREET; PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET; TUCSON, ARIZONA 85701-1347

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This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail [SABernal@azcc.gov](mailto:SABernal@azcc.gov).

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 DOUG LITTLE – Chairman  
4 BOB STUMP  
5 BOB BURNS  
6 TOM FORESE  
7 ANDY TOBIN

8 IN THE MATTER OF THE APPLICATION OF  
9 HYDRO-RESOURCES, INC. FOR A  
10 DETERMINATION OF THE FAIR VALUE OF ITS  
11 UTILITY PLANT AND PROPERTY AND TO SET  
12 RATES AND CHARGES FOR UTILITY SERVICE  
13 BASED THEREON.

DOCKET NO. W-20770A-16-0020

DECISION NO. \_\_\_\_\_

**ORDER**

14 Open Meeting  
15 June 14 and June 15, 2016  
16 Phoenix, Arizona

17 **BY THE COMMISSION:**

18 \* \* \* \* \*

19 Having considered the entire record herein and being fully advised in the premises, the  
20 Commission finds, concludes, and orders that:

21 **FINDINGS OF FACT**

22 **I. Procedural History**

23 1. On January 20, 2016, Hydro-Resources, Inc. (“Hydro” or “Company”) filed an  
24 application with the Arizona Corporation Commission (“Commission”) for a determination of the fair  
25 value of its water utility plant and property and to set rates and charges for utility service based  
26 thereon.

27 2. On February 19, 2016, the Commission’s Utilities Division Staff (“Staff”) issued a  
28 Letter of Sufficiency stating that the Company’s application had met the sufficiency requirements  
outlined in the Arizona Administrative Code (“A.A.C.”) R14-2-103, and classifying Hydro as a Class  
D utility.

3. On April 5, 2016, Hydro filed an affidavit certifying that notice of the rate application  
had been mailed to customers on January 26, 2016.

1           4.     On April 6, 2016, Hydro filed revised proposed service and installation charges.

2           5.     On May 4, 2016, Staff filed a Staff Report recommending approval of the rate  
3 application, subject to Staff's recommended terms and conditions. Staff's recommendations include,  
4 among other things, a compliance requirement that the Company file a report acknowledging that its  
5 fire pump control system has been converted from manual to automatic control.<sup>1</sup>

6           6.     On May 6, 2016, Staff filed an e-mail communication between Staff and the  
7 Company, in which the Company states that the estimated cost of converting the fire pump from  
8 manual to automatic control is \$14,580.<sup>2</sup>

9     **II.     Background**

10          7.     Hydro is an Arizona "S" corporation providing water utility service to approximately  
11 98 metered connections in a service area located in Tusayan, Arizona, an area just south of the Grand  
12 Canyon National Park's south rim entrance in Coconino County. The Commission granted Hydro a  
13 Certificate of Convenience and Necessity ("CC&N") and approved Hydro's current rates and charges  
14 in Decision No. 74742 (September 15, 2014).

15          8.     Hydro's water system consists of two groundwater wells capable of producing  
16 approximately 118 gallons per minute ("gpm") of total capacity; one standpipe; two storage tanks  
17 with a combined total storage capacity of 3,500,000 gallons; one fire pump; one pump house; five  
18 fire hydrants; and a distribution system.

19          9.     During the test year ending September 30, 2015, the Company reported 33,990,000  
20 gallons of water produced<sup>3</sup> and 30,054,000 gallons of water sold, resulting in 3,936,000 gallons of  
21 non-revenue water, or a water loss ratio of 11.58 percent.<sup>4</sup> Staff notes that the Company's non-  
22 revenue water (the difference between the gallons of water produced and sold) includes water use  
23

24 <sup>1</sup> The fire pump provides additional water pressure and fire flow in the event that the distribution system pressure and  
25 flow becomes insufficient to fight a fire. Generally, fire pumps are designed to operate via automatic control to prevent  
26 any delay in meeting the pressure and flow demand required during an incident such as a fire. In Decision No. 74742  
27 (September 15, 2014), the Commission ordered the Company to conduct an engineering review to evaluate and determine  
the feasibility and cost for converting its fire pump from manual to automatic control. The Company completed its  
engineering review and is currently in the process of installing the equipment, controls, and wiring necessary to convert  
the fire pump from manual to automatic control.

<sup>2</sup> Neither the Company nor Staff proposed to include the estimated cost of the fire pump conversion in rate base.

<sup>3</sup> The Company pumped 30,823,000 gallons and purchased an additional 3,167,000 gallons.

<sup>4</sup> Staff considers a water loss ratio greater than 10 percent to be unacceptable.

1 defined by the American Water Works Association ("AWWA") as "Unbilled Authorized  
2 Consumption" (water used for firefighting, flushing, etc.), as well as water loss defined by the  
3 AWWA as "Apparent Losses" (water loss due to meter inaccuracies, unauthorized consumption or  
4 theft, and systematic data handling errors), and "Real Losses" (water loss due to system leakage and  
5 storage tank overflows). According to Staff, the non-revenue water attributable to Unbilled  
6 Authorized Consumption should be accounted for and removed from the water loss ratio calculation  
7 in order to provide a more accurate account of system water loss. Staff therefore recommends that  
8 the Company begin tracking, quantifying, and recording all consumed water attributable to Unbilled  
9 Authorized Consumption for removal from the water loss calculation.

10 10. Hydro's customers consist primarily of large commercial businesses (hotels and an  
11 airport), a number of smaller retail businesses, and residential customers. The Company's  
12 commercial customers mainly serve tourists visiting the Grand Canyon National Park. Staff notes  
13 that high water usage among the Company's customers is consistent with the high volume of tourists  
14 who stay in Tusayan while visiting the Grand Canyon National Park.<sup>5</sup>

15 11. Staff concludes that the Company's water system has adequate capacity to serve its  
16 existing customer base and reasonable growth.<sup>6</sup>

17 12. According to an Arizona Department of Environmental Quality ("ADEQ") Drinking  
18 Water Compliance Status Report dated March 10, 2016, Hydro is currently delivering water that  
19 meets the water quality standards required by 40 C.F.R. §§ 141.1, *et seq.* (National Primary Drinking  
20 Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4. ADEQ inspected Hydro's  
21 water system on April 7, 2015, and found no major deficiencies in the operation, maintenance, or  
22 certified operator status of the water system.

23 13. Hydro is not located within an Arizona Department of Water Resources ("ADWR")  
24 active management area ("AMA"). In a Water Provider Compliance Report dated February 10, 2016,  
25 ADWR determined that the Company is currently in compliance with departmental requirements  
26 governing water providers and/or community water systems.

27 <sup>5</sup> Staff notes that according to Grand Canyon Park statistics, approximately 5.52 million people visited Grand Canyon  
National Park in 2015.

28 <sup>6</sup> The Company does not expect an increase in customer growth within the next five years.

1        14.     Staff's Compliance Section database shows no outstanding compliance issues for the  
2 Company.

3        15.     Staff's Consumer Services Section database shows zero complaints filed against the  
4 Company.

5        16.     Hydro has Commission-approved Cross-Connection/Backflow and Curtailment  
6 Tariffs.

7 **III.    Rate Application**

8        **A.     Adjustments to Rate Base and Operating Income**

9        17.     Hydro proposed an original cost rate base ("OCRB") of \$983,376. According to Staff,  
10 the Company was only able to provide invoices to support approximately 22 percent of its total plant  
11 claimed to be in service. Staff therefore recommends that the Company be ordered to keep invoices  
12 for plant assets purchased in the future.

13        18.     Staff's engineer visually inspected the system to verify the plant in service and  
14 concluded that the associated cost was reasonable. However, Staff found that some plant was no  
15 longer in use or had been abandoned. Staff therefore made corresponding rate base adjustments to  
16 reduce net plant in service, as well as adjustments reducing accumulated depreciation and cash  
17 working capital. Based on Staff's adjustments, Staff determined the Company's OCRB to be  
18 \$975,073. The Company did not dispute Staff's adjustments to rate base.

19        19.     We find that Staff's adjustments to the Company's OCRB are reasonable and  
20 appropriate, and should be adopted. We further find that the Company's fair value rate base  
21 ("FVRB") is equivalent to its OCRB and is \$975,073.

22        20.     Hydro and Staff are in agreement that total operating revenues for the Company  
23 during the test year were \$766,406.

24        21.     Staff made several adjustments to the Company's test year operating expenses,  
25 resulting in a net decrease of \$39,973, from \$563,582 to \$523,609. The net decrease to test year  
26 operating expenses is due to Staff's adjustments to salaries and wages; water testing expense;  
27 depreciation expense; property tax expense; and income tax expense. The Company did not dispute  
28 Staff's adjustments to test year operating expenses.

22. We find that Staff's adjustments to test year operating expenses are reasonable and appropriate and adopt an adjusted test year operating expense figure of \$523,609.

### B. Revenue Requirement

23. The Company is proposing a \$102,677 decrease to its revenue requirement, from \$766,406 to \$663,729. Staff recommends approval of the Company's proposed revenue requirement.<sup>7</sup> Based on Staff's analysis, the recommended revenue requirement would produce an operating income of \$140,120; a 14.37 percent rate of return on the Company's FVRB of \$975,073; a cash flow of \$179,470; and an operating margin of 21.11 percent. According to Staff, the recommended revenue requirement will provide the Company with sufficient cash flow to pay operating expenses and contingencies.

24. We find that the Company's proposed revenue requirement, as recommended by Staff, is just and reasonable and should be adopted.

### C. Rate Design

25. The Company's current rate design does not include a monthly usage charge and charges all customers a flat rate of \$24.50 per 1,000 gallons of usage. The rates and charges for the Company at present, as proposed in the rate application, and as recommended by Staff are as follows:

	<u>Current</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
<b><u>MONTHLY USAGE CHARGE:</u></b>			
5/8" x 3/4" Meter	\$0.00	\$54.40	\$43.00
3/4" Meter	0.00	81.75	64.50
1" Meter	0.00	136.25	107.50
1 1/2" Meter	0.00	272.50	215.00
2" Meter	0.00	436.00	344.00
3" Meter	0.00	872.00	688.00
4" Meter	0.00	1,362.00	1,075.00
6" Meter	0.00	2,725.00	2,150.00
8" Meter	0.00	4,360.00	3,440.00
10" Meter	0.00	6,267.50	4,945.00
12" Meter	0.00	11,717.50	9,245.00

<sup>7</sup> Staff states that it is recommending the same revenue requirement as the Company because the Company is requesting a revenue decrease.

**COMMODITY CHARGES:****(Per 1,000 gallons)****All Meters – All Gallons**

\$24.50

N/A

N/A

**5/8" x 3/4" Meter – All Customers**

First 3,000 gallons

N/A

\$10.75

\$12.00

3,001 to 7,500 gallons

N/A

13.05

13.66

Over 7,500 gallons

N/A

15.35

17.00

**3/4" Meter – Residential**

First 4,500 gallons

N/A

\$10.75

\$12.00

From 4,501 to 11,250 gallons

N/A

13.05

13.66

Over 11,250 gallons

N/A

15.35

17.00

**3/4" Meter – Commercial**

First 4,500 gallons

N/A

\$10.75

N/A

From 4,501 to 7,500 gallons

N/A

13.05

N/A

Over 7,500 gallons

N/A

15.35

N/A

First 4,500 gallons

N/A

N/A

\$12.00

From 4,501 to 11,250 gallon

N/A

N/A

13.66

Over 11,250 gallons

N/A

N/A

17.00

**1" Meter – All Customers**

First 18,750 gallons

N/A

\$13.05

\$13.66

Over 18,750 gallons

N/A

15.35

17.00

**1 1/2" Meter – All Customers**

First 62,500 gallons

N/A

\$13.05

\$13.66

Over 62,500 gallons

N/A

15.35

17.00

**2" Meter – All Customers**

First 100,000 gallons

N/A

\$13.05

\$13.66

Over 100,000 gallons

N/A

15.35

17.00

**3" Meter – All Customers**

First 200,000 gallons

N/A

\$13.05

\$13.66

Over 200,000 gallons

N/A

15.35

17.00

**4" Meter – All Customers**

First 312,500 gallons

N/A

\$13.05

\$13.66

Over 312,500 gallons

N/A

15.35

17.00

**6" Meter – All Customers**

First 625,000 gallons

N/A

\$13.05

\$13.66

Over 625,000 gallons

N/A

15.35

17.00

...

**8" Meter – All Customers**

First 1,000,000 gallons	N/A	\$13.05	\$13.66
Over 1,000,000 gallons	N/A	15.35	17.00

**10" Meter – All Customers**

First 1,437,500 gallons	N/A	\$13.05	\$13.66
Over 1,437,500 gallons	N/A	15.35	17.00

**12" Meter – All Customers**

First 2,687,500	N/A	\$13.05	\$13.66
Over 2,687,500	N/A	15.35	17.00

**SERVICE LINE AND METER INSTALLATION CHARGES:**

<u>Meter Sizes</u>	<u>Current Total Charges</u>	<u>Company Proposed Total Charges</u>	<u>Staff Recommended Service Line Charges</u>	<u>Staff Recommended Meter Charges</u>	<u>Staff Recommended Total Charges</u>
5/8" x 3/4" Meter	\$ 520	At Cost	At Cost	At Cost	At Cost
3/4" Meter	620	At Cost	At Cost	At Cost	At Cost
1" Meter	730	At Cost	At Cost	At Cost	At Cost
1 1/2" Meter	995	At Cost	At Cost	At Cost	At Cost
2" Meter Turbo	1,795	At Cost	At Cost	At Cost	At Cost
2" Meter Compound	2,640	At Cost	At Cost	At Cost	At Cost
3" Meter Turbo	2,635	At Cost	At Cost	At Cost	At Cost
3" Meter Compound	3,630	At Cost	At Cost	At Cost	At Cost
4" Meter Turbo	4,000	At Cost	At Cost	At Cost	At Cost
4" Meter Compound	5,155	At Cost	At Cost	At Cost	At Cost
6" Meter Turbo	7,075	At Cost	At Cost	At Cost	At Cost
6" Meter Compound	9,090	At Cost	At Cost	At Cost	At Cost
8" Meter & Larger	At Cost	At Cost	At Cost	At Cost	At Cost

**SERVICE CHARGES:**

	<u>Current</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
Establishment	\$25.00	\$25.00	\$25.00
Meter Re-Read (If Correct)	\$15.00	\$15.00	\$15.00
Meter Test (If Correct)	\$40.00	\$40.00	\$40.00
Deposit	(a)	(a)	(a)
Deposit Interest	(a)	(a)	(a)
Re-Establishment (Within 12 months)	(b)	(b)	(b)
Reconnection (Delinquent)	\$25.00	\$25.00	\$25.00
Charge for NSF Check	\$25.00	\$20.00	\$20.00
Deferred Payment Finance Charge (Per Month)	1.50%	1.50%	1.50%
Late Payment Penalty (Per month)	1.50%	1.50%	1.50%
Charge for Moving Meter (Customer Request)	N/A	At Cost (c)	At Cost (c)
After Hours Service Charge	N/A	\$35.00 (d)	\$35.00 (d)
Main Extension	At Cost (c)	At Cost (c)	At Cost (c)



- (a) Per A.A.C. R14-2-403(B).  
 (b) Per A.A.C. R14-2-403(D).  
 (c) Cost to include parts, labor, overhead, and all applicable taxes, including income tax.  
 (d) Applies to all services performed after hours and at the customer's request.

In addition to the collection of its regular rates and charges, the Company shall collect from its customers their proportionate share of any privilege, sale or use tax in accordance with R14-2-409(D)(5).

26. The rates and revenue requirements proposed by the parties would have the following monthly bill impacts on the typical residential 5/8 x 3/4-inch meter customer with median usage of 2,167 gallons:

Typical 5/8 x 3/4-inch Residential Meter with Median Usage

	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>% Increase</u>
Hydro	\$53.08	\$77.79	\$24.71	46.55
Staff	\$53.08	\$69.00	\$15.92	29.99

27. Under Staff's recommended rates, approximately 32.15 percent of the revenue requirement would be derived from the monthly usage charges, with the remaining 68.85 percent derived from the commodity charges. Since the Company's current rates generate 100 percent of revenues from the commodity charges, Staff states that its recommended rate structure supports rate change gradualism. Staff notes that some customers will experience a rate increase even though the Company's overall revenue requirement is lower due to the introduction of a monthly minimum charge in the Company's rate design. The Company did not object to Staff's recommended rate design.

28. In its application, the Company proposes monthly usage charges that are 26.74 percent higher across all meter sizes than the monthly usage charges recommended by Staff.<sup>8</sup> Given that the Company's current rate structure derives 100 percent of revenues from the commodity charges, we agree with Staff that the introduction of a monthly usage charge should be accomplished in a more gradual manner. Under the circumstances of this case, and given that there is no opposition to Staff's

<sup>8</sup> Staff notes that the Company's proposed rate design produces an operating revenue of \$691,989, which is \$28,260 higher than its proposed revenue requirement of \$663,729.

1 recommendations, we believe that Staff's recommended rate design strikes a reasonable balance  
2 between providing revenue stability for the Company, while mitigating the bill impact to customers.  
3 Accordingly, we find that Staff's recommended rates and charges are just and reasonable and should  
4 be adopted.

5 **IV. Staff's Recommendations**

6 29. Staff recommends the following:

- 7 a) That Staff's recommended rates and charges be approved;
- 8 b) That Hydro file with Docket Control, as a compliance item in this docket, within  
9 30 days of the effective date of this Decision, a schedule of the rates and charges  
10 approved herein;
- 11 c) That Hydro be ordered to keep invoices for plant assets purchased in the future;
- 12 d) That the annual water testing expenses of \$1,864 be used for the purposes of this  
13 proceeding;
- 14 e) That Hydro file with Docket Control, as a compliance item in this docket, within  
15 12 months of the effective date of this Decision, a report acknowledging that the  
16 automatic fire pump control system has been completed;
- 17 f) That Hydro begin tracking, quantifying, and recording all consumed water  
18 associated with Unbilled Authorized Consumption for removal from the water loss  
19 ratio calculation;
- 20 g) That Hydro monitor its water system for a 12 month period to prepare a water loss  
21 report. The Company should account for its Unbilled Authorized Consumption  
22 (gallons) and remove that quantity from the water loss calculation. If the reported  
23 water loss is greater than 10 percent, the Company shall prepare a report  
24 containing a detailed analysis and plan to reduce the water loss to 10 percent or  
25 less. If the Company believes it is not cost effective to reduce the water loss to  
26 less than 10 percent, it should submit a detailed cost benefit analysis to support its  
27 opinion. In no case shall the Company allow water loss to be greater than 15  
28 percent. The water loss reduction report or the detailed analysis, whichever is

submitted, shall be filed with Docket Control, as a compliance item in this docket,  
within 18 months of the effective date of this Decision;

h) That Hydro be ordered to use the depreciation rates delineated in Table G of the  
Engineering Report portion of the Staff Report in this matter;

i) That Hydro's proposed miscellaneous service charges be approved; and

j) That Hydro's proposed service line and meter installation charges be approved.

30. The Company did not object to Staff's recommendations.

31. We find that Staff's recommendations are reasonable and appropriate and should be  
adopted.

### **CONCLUSIONS OF LAW**

1. Hydro-Resources, Inc. is a public service corporation within the meaning of Article  
XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-251.

2. The Commission has jurisdiction over Hydro-Resources, Inc. and the subject matter of  
the rate application.

3. Notice of the rate application was provided in the manner prescribed by law.

4. The fair value of Hydro-Resources, Inc.'s utility plant and property is \$975,073.

5. The rates, charges, and conditions of service authorized herein are just, reasonable,  
and in the public interest and should be approved without a hearing.

6. Staff's recommendations are just and reasonable and in the public interest.

### **ORDER**

IT IS THEREFORE ORDERED that Hydro-Resources, Inc. is hereby directed to file with  
Docket Control, as a compliance item in this docket, by June 30, 2016, revised rate schedules setting  
forth the following rates and charges:

#### **MONTHLY USAGE CHARGES:** **(All Customers)**

5/8" x 3/4" Meter	\$43.00
3/4" Meter	64.50
1" Meter	107.50
1 1/2" Meter	215.00

1	2" Meter	344.00
	3" Meter	688.00
2	4" Meter	1,075.00
	6" Meter	2,150.00
3	8" Meter	3,440.00
	10" Meter	4,945.00
4	12" Meter	9,245.00

**COMMODITY CHARGES:****(Per 1,000 gallons)**

7	<b>5/8" x 3/4" Meter – Residential &amp; Commercial</b>	
8	First 3,000 gallons	\$12.00
	3,001 to 7,500 gallons	13.66
9	Over 7,500 gallons	17.00
10	<b>3/4" Meter – Residential &amp; Commercial</b>	
	First 4,500 gallons	\$12.00
11	From 4,501 to 11,250 gallons	13.66
12	Over 11,250 gallons	17.00
13	<b>1" Meter – Residential &amp; Commercial</b>	
	First 18,750 gallons	\$13.66
14	Over 18,750 gallons	17.00
15	<b>1 1/2" Meter – Residential &amp; Commercial</b>	
	First 62,500 gallons	\$13.66
16	Over 62,500 gallons	17.00
17	<b>2" Meter – Residential &amp; Commercial</b>	
18	First 100,000 gallons	\$13.66
19	Over 100,000 gallons	17.00
20	<b>3" Meter – Residential &amp; Commercial</b>	
	First 200,000 gallons	\$13.66
21	Over 200,000 gallons	17.00
22	<b>4" Meter – Residential &amp; Commercial</b>	
	First 312,500 gallons	\$13.66
23	Over 312,500 gallons	17.00
24	<b>6" Meter – Residential &amp; Commercial</b>	
	First 625,000 gallons	\$13.66
25	Over 625,000 gallons	17.00
26	<b>8" Meter – Residential &amp; Commercial</b>	
	First 1,000,000 gallons	\$13.66
27	Over 1,000,000 gallons	17.00

28

**10" Meter – Residential & Commercial**

First 1,437,500 gallons	\$13.66
Over 1,437,500 gallons	17.00

**12" Meter – Residential & Commercial**

First 2,687,500 gallons	\$13.66
Over 2,687,500 gallons	17.00

**SERVICE LINE AND METER INSTALLATION**  
**CHARGES:**

**Meter Sizes**

	<b><u>Service Line</u></b> <b><u>Charge</u></b>	<b><u>Meter</u></b> <b><u>Charge</u></b>	<b><u>Total</u></b> <b><u>Charge</u></b>
5/8" x 3/4" Meter	At Cost (a)	At Cost (a)	At Cost (a)
3/4" Meter	At Cost (a)	At Cost (a)	At Cost (a)
1" Meter	At Cost (a)	At Cost (a)	At Cost (a)
1 1/2" Meter	At Cost (a)	At Cost (a)	At Cost (a)
2" Meter (Turbo & Compound)	At Cost (a)	At Cost (a)	At Cost (a)
3" Meter (Turbo & Compound)	At Cost (a)	At Cost (a)	At Cost (a)
4" Meter (Turbo & Compound)	At Cost (a)	At Cost (a)	At Cost (a)
6" Meter (Turbo & Compound)	At Cost (a)	At Cost (a)	At Cost (a)
8" Meter & Larger	At Cost (a)	At Cost (a)	At Cost (a)

**SERVICE CHARGES:**

Establishment	\$25.00
Meter Re-Read (If Correct)	\$15.00
Meter Test (If Correct)	\$40.00
Deposit	(b)
Deposit Interest	(b)
Re-Establishment (Within 12 months)	(c)
Reconnection (Delinquent)	\$25.00
Charge for NSF Check	\$20.00
Deferred Payment Finance Charge (Per Month)	1.50%
Late Payment Penalty (Per month)	1.50%
Charge for Moving Meter (Customer Request)	At Cost (a)
After Hours Service Charge	\$35.00 (d)
Main Extension	At Cost (a)

- (a) Cost to include parts, labor, overhead, and all applicable taxes, including income tax.  
 (b) Per A.A.C. R14-2-403(B).  
 (c) Per A.A.C. R14-2-403(D).  
 (d) Applies to all services performed after hours and at the customer's request.

In addition to the collection of its regular rates and charges, the Company shall collect from its customers their proportionate share of any privilege, sale or use tax in accordance with R14-2-409(D)(5).

1 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service  
2 provided on and after July 1, 2016.

3 IT IS FURTHER ORDERED that Hydro-Resources, Inc. shall, as a compliance item in this  
4 docket, notify its customers of the authorized rates and charges and their effective date, in a form  
5 acceptable to the Commission's Utilities Division Staff, by means of an insert in its next regularly  
6 scheduled billing, and file a copy with Docket Control within thirty (30) days of the date notice is  
7 sent to customers.

8 IT IS FURTHER ORDERED that Hydro-Resources, Inc. shall use the depreciation rates  
9 delineated in Table G of the Engineering Report portion of the Staff Report in this matter.

10 IT IS FURTHER ORDERED that Hydro-Resources, Inc. shall keep all invoices for plant  
11 assets purchased in the future.

12 IT IS FURTHER ORDERED that Hydro-Resources, Inc. shall file with Docket Control, as a  
13 compliance item in this docket, within 12 months of the effective date of this Decision, a report  
14 acknowledging that the fire pump system has been converted from manual to automatic control.

15 IT IS FURTHER ORDERED that Hydro-Resources, Inc. shall begin tracking, quantifying,  
16 and recording the gallons of water attributable to Unbilled Authorized Consumption for removal from  
17 the water loss calculation.

18 IT IS FURTHER ORDERED that Hydro-Resources, Inc. shall monitor its water system for a  
19 12-month period for the purpose of preparing a water loss report. The Company should account for  
20 the gallons of water use attributable to Unbilled Authorized Consumption and remove that quantity  
21 from the water loss calculation. If the reported water loss is greater than 10 percent, the Company  
22 shall prepare a report containing a detailed analysis and plan to reduce the water loss to 10 percent or  
23 less. If the Company believes it is not cost effective to reduce the water loss to less than 10 percent,  
24 it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company  
25 allow water loss to be greater than 15 percent. The water loss reduction report or the detailed  
26 analysis, whichever is submitted, shall be filed with Docket Control, as a compliance item in this  
27 docket, within 18 months of the effective date of this Decision.

28

IT IS FURTHER ORDERED that Hydro-Resources, Inc. shall file annually, as part of its Annual Report, an affidavit with the Commission's Utilities Division attesting that it is current in paying its property taxes in Arizona.

IT IS FURTHER ORDERED that, in addition to the collection of its regular rates and charges, Hydro-Resources, Inc. shall collect from its customers a proportionate share of any privilege, sales or use tax in accordance with A.A.C. R14-2-409(D).

IT IS FURTHER ORDERED that this Decision shall become effective immediately

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION.**

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_  
SMH:aw

1 SERVICE LIST FOR: HYDRO-RESOURCES, INC.

2 DOCKET NO.: W-20770A-16-0020

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